

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Wexford County Airport Authority	County Wexford
Fiscal Year End 12/31/2007	Opinion Date 01/14/2008	Date Audit Report Submitted to State February 27, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

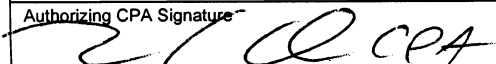
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 and 114 Letter		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789		
Street Address 134 W. Harris Street		City Cadillac	State MI	Zip 49601
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.		License Number 1101023146

**WEXFORD COUNTY AIRPORT AUTHORITY**  
**(A Component Unit of Wexford County)**  
**ANNUAL FINANCIAL REPORT**  
  
**YEAR ENDED DECEMBER 31, 2007**

*Baird, Cotter and Bishop, P.C.*  
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WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2007

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

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January 14, 2008

### INDEPENDENT AUDITORS' REPORT

To The Members of the Board  
Wexford County Airport Authority  
(A Component Unit of Wexford County)  
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Wexford County Airport Authority, a component unit of Wexford County, as of and for the year ended December 31, 2007, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wexford County Airport Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Wexford County Airport Authority, component unit of Wexford County, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages ii through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2007

The management of the Wexford County Airport Authority offers this narrative overview and analysis of the financial activities of the Airport for the year ended December 31, 2007, for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Airport's financial activity. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements as a whole.

**Financial Highlights**

**Government-Wide**

- ❖ The assets of the Airport exceeded its liabilities at the close of this fiscal year by \$1,981,989 (shown as *Net Assets*). Of the net assets \$261,441 is unrestricted, the remaining assets are invested in capital assets.

**Fund Level Financial Highlights**

- ❖ As of December 31, 2007, the operating fund of the Wexford County Airport Authority reported an ending fund balance of \$98,576 of which \$43,271 is unreserved.

**Proprietary Fund Highlights**

- ❖ As of December 31, 2007, the T-Hanger Fund had net assets of \$298,803. During the year the T-Hanger Fund supported the Operating Fund of the airport by transferring \$31,219 for capital outlay expenditures and local portion of grant matching.

**Debt**

- ❖ As of December 31, 2007, the Airport is not obligated under any long-term debt.

**Overview of the Financial Statements**

The Wexford County Airport Authority's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Airport's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Airport as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Page 1) presents information on all of the Airport's assets and liabilities, the difference between the two being reported as the Net Assets of the Airport. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating. An increase in net assets would indicate an improvement in financial

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2007

condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 2) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Airport that are principally supported by fuel sales and contributions from local units (governmental activities) from other functions that are intended to recover all or most of their costs through rents, user fees and charges (business-type activities). Governmental activities of the Airport include the general government. Business-type activities of the Airport include the operation of T-Hangar rental buildings.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. All of the Airport's funds are considered major funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Wexford County Airport Authority uses fund accounting to ensure compliance with finance-related legal requirements. The Airport has two basic types of funds: governmental funds and proprietary funds.

***Governmental Funds*** Many of the Airport's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Airport include the Operating Fund.

***Proprietary Funds*** Proprietary funds account for services for which the Airport charges its customers for the services they are provided. The Airport has the following:

- Enterprise funds are used to report business-like activities of the Airport. These activities intend to recover the full cost of the services through the rent charged to the customers. The T-Hangar Fund is an Enterprise Fund.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2007

**Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 12 of this report.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Airport's financial position over time. The Net Assets of the Airport are \$1,981,989 at December 31, 2007, meaning that the Airport's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

**WEXFORD COUNTY AIRPORT AUTHORITY  
NET ASSETS**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$ 116,938	\$ 66,343	\$ 163,757	\$ 147,346	\$ 280,695	\$ 213,689
Capital Assets	1,584,610	1,683,915	135,938	158,941	1,720,548	1,842,856
<b>Total Assets</b>	<b>1,701,548</b>	<b>1,750,258</b>	<b>299,695</b>	<b>306,287</b>	<b>2,001,243</b>	<b>2,056,545</b>
<b>Total Liabilities</b>	<b>18,362</b>	<b>4,667</b>	<b>892</b>	<b>0</b>	<b>19,254</b>	<b>4,667</b>
<b>Net Assets</b>						
Invested in capital assets	1,584,610	1,683,915	135,938	158,941	1,720,548	1,842,856
Unrestricted	98,576	61,676	162,865	147,346	261,441	209,022
<b>Total Net Assets</b>	<b>\$ 1,683,186</b>	<b>\$ 1,745,591</b>	<b>\$ 298,803</b>	<b>\$ 306,287</b>	<b>\$ 1,981,989</b>	<b>\$ 2,051,878</b>

The most significant portion of the Airport's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Airport has \$261,441 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Airport policies regarding their use.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Airport. The condensed information was derived from the government-wide Statement of Activities.

**WEXFORD COUNTY AIRPORT AUTHORITY**  
**(A Component Unit of Wexford County)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR YEAR ENDED DECEMBER 31, 2007**

**WEXFORD COUNTY AIRPORT AUTHORITY**  
**CHANGE IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 333,998	\$ 308,550	\$ 54,641	\$ 48,976	\$ 388,639	\$ 357,526
Operating Grants and Contributions	106,878	66,950	0	0	106,878	66,950
Capital Grants and Contributions	92,730	216,322	0	0	92,730	216,322
<b>General Revenues</b>						
Unrestricted						
Investment Earnings	243	335	4,870	3,549	5,113	3,884
Other	20,559	4,667	0	0	20,559	4,667
<b>Total Revenues</b>	<b>554,408</b>	<b>596,824</b>	<b>59,511</b>	<b>52,525</b>	<b>613,919</b>	<b>649,349</b>
<b><u>Expenses</u></b>						
General Government	648,032	758,854	0	0	648,032	758,854
T-Hangar	0	0	35,776	33,274	35,776	33,274
<b>Total Expenses</b>	<b>648,032</b>	<b>758,854</b>	<b>35,776</b>	<b>33,274</b>	<b>683,808</b>	<b>792,128</b>
Changes in Net Assets						
Before Transfers	(93,624)	(162,030)	23,735	19,251	(69,889)	(142,779)
Transfers In (Out)	31,219	9,545	(31,219)	(9,545)	0	0
Increase (Decrease) in Net Assets	(62,405)	(152,485)	(7,484)	9,706	(69,889)	(142,779)
Beginning Net Assets	1,745,591	1,898,076	306,287	296,581	2,051,878	2,194,657
Ending Net Assets	<b>\$ 1,683,186</b>	<b>\$ 1,745,591</b>	<b>\$ 298,803</b>	<b>\$ 306,287</b>	<b>\$ 1,981,989</b>	<b>\$ 2,051,878</b>

**Financial Analysis of the Government's Funds**

**Operating Fund** – The Operating Fund is the main operating fund of the Airport. The Operating Fund increased its fund balance in this fiscal year by \$36,900, bringing the balance to \$98,576.

**T-hangar Fund** – The Airport's T-Hangar Fund is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircrafts. The T-Hangar Fund currently has no debt as all the hangers are now paid for. For the year ended December 31, 2007, the fund decreased net assets by \$7,484 to \$298,803. Of these net assets, \$135,938 are invested in capital assets and the remaining \$162,865 is unrestricted. Excess funds generated by this fund will be used in the future for building maintenance and possibly hanger expansion as well as supporting various other airport activities.



WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2007

**General Fund Budgetary Highlights**

Over the course of the year, the Airport revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Airport's original and final budget amounts compared with amounts actually paid and received is provided in the schedule of revenues, expenditures and changes in fund balance.

**Capital Asset and Debt Administration**

***Capital Assets***

At December 31, 2007, the Airport had net capital assets of \$1,720,548 invested in broad range of capital assets. The following table breaks down the various components of the Airport's capital assets.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land and Land Improvements	\$ 2,705,539	\$ 2,705,539	\$ 113,133	\$ 113,133	\$ 2,818,672	\$ 2,818,672
Construction in Progress	42,437	0	0	0	42,437	0
Buildings and Building Improvements	929,394	907,521	530,515	530,515	1,459,909	1,438,036
Office Equipment and Furniture	8,722	8,722	0	0	8,722	8,722
Machinery and Equipment	257,466	257,466	0	0	257,466	257,466
<b>Subtotal</b>	<b>3,943,558</b>	<b>3,879,248</b>	<b>643,648</b>	<b>643,648</b>	<b>4,587,206</b>	<b>4,522,896</b>
Accumulated Depreciation	(2,358,948)	(2,195,333)	(507,710)	(484,707)	(2,866,658)	(2,680,040)
<b>Net Capital Assets</b>	<b>\$ 1,584,610</b>	<b>\$ 1,683,915</b>	<b>\$ 135,938</b>	<b>\$ 158,941</b>	<b>\$ 1,720,548</b>	<b>\$ 1,842,856</b>

Major capital asset events during the current fiscal year included the following:

- Building renovations amounted to \$21,873.

***Long-Term Debt***

At the end of the current fiscal year, the Airport did not have any long-term debt outstanding.

**Economic Factors and Next Year's Budgets and Rates**

- Over the past several years, the Airport has experienced flat revenues and increasing costs. As the Airport looks to the future the Airport will consider ways to manage its budget in order to continue to provide services to the public.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2007

**Contacting the Airport's Financial Management**

This financial report is designed to provide the Airport's citizens, customers, investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wexford County Airport Authority, 8040 E 34 Mile Road, Cadillac, Michigan 49601.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
<u>Current Assets</u>			
Cash	\$ 51,653	\$ 154,562	\$ 206,215
Accounts Receivable	16,415	1,221	17,636
Internal Balances	(6,435)	6,435	0
Inventories	48,373	0	48,373
Prepaid Expenses	6,932	1,539	8,471
Total Current Assets	116,938	163,757	280,695
<u>Non Current Assets</u>			
Capital Assets	3,943,558	643,648	4,587,206
Less Accumulated Depreciation	(2,358,948)	(507,710)	(2,866,658)
Total Non Current Assets	1,584,610	135,938	1,720,548
Total Assets	1,701,548	299,695	2,001,243
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts Payable	13,627	0	13,627
Payroll Withholding Payable	3,250	0	3,250
Accrued Payroll	477	0	477
Customer Deposits Payable	1,008	892	1,900
Total Current Liabilities	18,362	892	19,254
<u>Net Assets</u>			
Invested in Capital Assets	1,584,610	135,938	1,720,548
Unrestricted	98,576	162,865	261,441
Total Net Assets	\$ 1,683,186	\$ 298,803	\$ 1,981,989

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities							
General Government	\$ 648,032	\$ 333,998	\$ 106,878	\$ 92,730	\$ (114,426)	\$ 0	\$ (114,426)
Business-type Activities							
T-Hanger	35,776	54,641	0	0	0	18,865	18,865
Total	<u>\$ 683,808</u>	<u>\$ 388,639</u>	<u>\$ 106,878</u>	<u>\$ 92,730</u>	<u>(114,426)</u>	<u>18,865</u>	<u>(95,561)</u>
<u>GENERAL REVENUES</u>							
Unrestricted Investment Earnings					243	4,870	5,113
Other Revenues					20,559	0	20,559
Transfers					31,219	(31,219)	0
Total General Revenues and Transfers					<u>52,021</u>	<u>(26,349)</u>	<u>25,672</u>
Change in Net Assets					(62,405)	(7,484)	(69,889)
<u>NET ASSETS</u> - Beginning of Year					<u>1,745,591</u>	<u>306,287</u>	<u>2,051,878</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 1,683,186</u>	<u>\$ 298,803</u>	<u>\$ 1,981,989</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

OPERATING FUND

COMPARATIVE BALANCE SHEET  
DECEMBER 31,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 51,653	\$ 27,431
Accounts Receivable		
Trade (Net of \$1,200 Allowance for Uncollectibles)	16,415	10,939
Due from Other Governments	0	33,201
Inventory - Fuel	48,373	32,635
Prepaid Expenditures	6,932	6,742
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 123,373</u>	<u>\$ 110,948</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 13,627	\$ 0
Payroll Withholdings	3,250	2,735
Due to Other Funds	6,435	44,605
Accrued Payroll	477	0
Customer Deposits	1,008	1,932
	<hr/>	<hr/>
Total Liabilities	24,797	49,272
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for:		
Inventory and Prepaid Expense	55,305	39,377
Unreserved		
Undesignated	43,271	22,299
	<hr/>	<hr/>
Total Fund Balance	98,576	61,676
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 123,373</u>	<u>\$ 110,948</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

DECEMBER 31, 2007

Total Governmental Fund Balance	\$ 98,576
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 3,943,558	
Accumulated depreciation is	<u>(2,358,948)</u>	<u>1,584,610</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,683,186</u></u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2006

	<u>BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Federal Grants	\$ 0	\$ 80,000	\$ 111,190	\$ 216,322
State Grants	0	0	12,918	0
Contributions from Local Units				
Wexford County	40,000	42,500	42,500	40,000
City of Cadillac	26,800	33,000	33,000	26,800
Total Contributions from Local Units	66,800	75,500	75,500	66,800
Charges for Services				
Operating Fees	2,000	2,000	3,250	1,975
Landing Fees	11,660	11,660	14,240	3,630
100 Low Lead Fuel Sales	99,000	130,000	127,510	84,348
Jet Fuel Sales	70,000	120,000	122,193	165,214
Oil Sales	150	150	350	141
Resale Items	1,025	1,025	2,311	971
Miscellaneous	100	100	160	0
Total Charges for Services	183,935	264,935	270,014	256,279
Interest and Rents				
Interest Income	70	70	243	335
Rental Income				
Hangar Rental and Tie Downs	10,900	14,000	14,016	11,835
Airport Facility Rental	36,876	43,968	45,368	36,836
Equipment Rental	4,000	4,000	4,600	3,600
Total Rental Income	51,776	61,968	63,984	52,271
Total Interest and Rents	51,846	62,038	64,227	52,606

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2006

	<u>BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Other Revenue				
Refunds and Rebates	0	17,971	19,884	4,667
Contributions and Donations from Private Sources	0	630	675	150
Total Other Revenue	0	18,601	20,559	4,817
Total Revenues	302,581	501,074	554,408	596,824

EXPENDITURES

Personal Services				
Managers' Salary	33,000	33,000	32,004	33,196
Other Wages	38,145	40,165	37,936	45,193
Contractual Services				
Board Per Diem	1,800	1,946	1,946	1,700
Professional Services	8,000	8,000	6,436	8,776
Telephone	3,380	3,450	3,315	3,425
Insurance	17,043	11,948	13,652	15,779
Repairs and Maintenance	18,600	49,730	43,181	20,184
Miscellaneous	300	1,863	31,378	1,735
Resale Supplies				
100 Low Lead Fuel	78,000	109,000	104,569	64,314
Jet Fuel	49,000	94,000	88,186	116,667
Other	1,080	2,080	1,687	1,029
Operating Supplies	3,000	1,500	1,483	3,220
Office Supplies	2,100	4,170	3,965	2,931
Utilities	9,401	10,885	10,591	9,179
Travel and Education	200	500	499	283
Advertising	200	300	291	567
Employee Fringe Benefits	15,920	17,020	16,287	16,666
Capital Outlay	0	111,018	122,981	234,273

The notes to the financial statements are an integral part of this statement.



WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2006

	<u>BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Miscellaneous				
Sales Tax	10,200	14,200	15,111	14,562
Fuel and Oil - Airport Use	4,800	5,810	7,380	5,130
Dues and Fees	300	300	290	286
Service Charges	100	100	76	181
Credit Card Expense	4,500	5,500	5,254	4,622
Miscellaneous	450	450	229	570
Total Expenditures	299,519	526,935	548,727	604,468
Excess (Deficiency) of Revenues				
Over Expenditures	3,062	(25,861)	5,681	(7,644)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)				
T-Hangar Fund	0	31,219	31,219	9,545
Net Change in Fund Balance	3,062	5,358	36,900	1,901
<u>FUND BALANCE</u> - Beginning of Year	53,243	53,243	61,676	59,775
<u>FUND BALANCE</u> - End of Year	\$ 56,305	\$ 58,601	\$ 98,576	\$ 61,676

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

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CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

Net change in Fund Balance Total Governmental Funds	\$ 36,900
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	64,310
Depreciation Expense	<u>(163,615)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (62,405)</u></u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
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T-HANGAR FUND

COMPARATIVE STATEMENT OF NET ASSETS  
DECEMBER 31,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 154,562	\$ 101,311
Accounts Receivable	1,221	1,430
Due from Other Funds	6,435	44,605
Prepaid Expenses	1,539	0
Total Current Assets	<u>163,757</u>	<u>147,346</u>
<u>FIXED ASSETS</u>		
Buildings and Improvements	530,515	530,515
Taxiways	113,133	113,133
Accumulated Depreciation	(507,710)	(484,707)
Total Fixed Assets	<u>135,938</u>	<u>158,941</u>
 TOTAL ASSETS	 <u>299,695</u>	 <u>306,287</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Customer Deposits	<u>892</u>	<u>0</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	135,938	158,941
Unrestricted	162,865	147,346
Total Net Assets	<u>\$ 298,803</u>	<u>\$ 306,287</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
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CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Hangar Rental	\$ 54,641	\$ 48,976
<u>OPERATING EXPENSES</u>		
Utilities	2,416	1,826
Insurance	3,168	3,476
Repair and Maintenance	275	0
Snow Removal	4,000	3,600
Depreciation	23,003	22,829
Service Charges	319	283
Audit	2,595	1,260
Total Operating Expenses	35,776	33,274
Operating Income	18,865	15,702
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	4,870	3,549
Income (Loss) Before Transfers	23,735	19,251
<u>TRANSFERS</u>		
Transfers In (Out)		
Operating Fund	(31,219)	(9,545)
Change in Net Assets	(7,484)	9,706
<u>TOTAL NET ASSETS</u> - Beginning of Year	306,287	296,581
<u>TOTAL NET ASSETS</u> - End of Year	\$ 298,803	\$ 306,287

The notes to the financial statements are an integral part of this statements.

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WEXFORD COUNTY AIRPORT AUTHORITY  
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T-HANGAR FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31,

	<u>2007</u>	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$ 18,865	\$ 15,702
Adjustments to Reconcile Net Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	23,003	22,829
Accounts Receivable (Increase) Decrease	209	(11)
Due to/from Other Funds (Increase) Decrease	38,170	(36,821)
Prepaid Insurance (Increase) Decrease	(1,539)	0
Customer Deposits Increase (Decrease)	892	(1,031)
	<u>79,600</u>	<u>(8,877)</u>
Net Cash Provided by Operating Activities		
<u>CASH FLOWS FROM NONCAPITAL</u>		
<u>FINANCING ACTIVITIES:</u>		
Transfer In (Out)	<u>(31,219)</u>	<u>(9,545)</u>
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES:</u>		
Acquisition of Capital Assets	<u>0</u>	<u>(8,674)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	<u>4,870</u>	<u>3,549</u>
Net Increase in Cash and Cash Equivalents	53,251	(23,547)
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>101,311</u>	<u>115,313</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 154,562</u>	<u>\$ 101,311</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY  
(A Component Unit of Wexford County)  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Wexford County Airport Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport's accounting policies are described below.

**A. Reporting Entity**

The Wexford County Airport Authority is organized to own and operate the Wexford County Airport at Cadillac, Michigan. The Authority board is composed of seven members, four of whom are appointed by Wexford County and three of whom are appointed by the City of Cadillac. As such, the Authority is considered to be a component unit of Wexford County.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The Authority grants credit to its customers for hangar rental and aviation fuel sales, of which the majority are based in the Cadillac, Michigan area.

For external financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's legislative branch.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Airport as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government has the following fund types:

***Governmental funds*** are used to account for the authority's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The authority considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

GOVERNMENTAL FUNDS include the following fund types:

The *Operating Fund* of the Authority is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Authority. Revenues are derived primarily from fuel sales and contributions from local units.

***Proprietary funds*** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before

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November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds include the T-Hangar Fund which is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircraft.

The fund is operated in a manner similar to a private business where the intent of the Authority is that the costs (expenses, including depreciation) of providing this service to the general public on a continuing basis be financed or recovered through user charges.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The Airport Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- i. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ii. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Wexford County Airport Authority at the Authority's organizational meeting after each regular election of members.
- iii. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- iv. Repurchase agreements consisting of instruments listed in (i).
- v. Banker's acceptances of United States banks.
- vi. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- vii. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Authority. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- viii. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- ix. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.118.



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2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Airport are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Hangers	25
Equipment and Furniture	10-20
Improvements	20
Land	N/A
Vehicles	10

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All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated value on the date donated.

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 31, the Airport manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Once the Airport Authority Board approves the budget, it is submitted to the Wexford County Board of Commissioners and the Cadillac City Council for approval of their respective appropriations for Airport operations.
3. Budgets are adopted on the same modified accrual basis used to reflect actual revenues and expenditures.

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4. Budgeted amounts are as originally adopted or as amended, by the Authority Board, from time to time during the year.
5. All appropriations lapse at year end.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following fund: Operating Fund expenditures of \$548,727 exceeded appropriations of \$526,935 by \$21,792.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Airport's deposits and investments are on deposit with various institutions.

*Investment rate risk.* The Airport will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Airport's cash requirements.

*Foreign currency risk.* The Airport does not have a policy on this type of risk.

*Credit risk.* The Airport will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Airport's investment policy; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Airport will do business in accordance with the Airport's investment policy.

*Concentration of credit risk.* The Airport will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Airport's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2007, none of the Airport's bank balance of \$239,910 was exposed to custodial credit risk.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airport's investments are categorized to give an indication of the level of risk assumed by the Airport at year end. Category 1 includes investments that are insured or registered, or securities held by the Airport or the Airport's agent in the

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Airport's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Airport's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Airport's name. At year end, the Airport held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Totals
Accounts	\$ 16,415	\$ 1,221	\$ 17,636

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Construction in Progress	\$ 0	\$ 42,437	\$ 0	\$ 42,437
Land	125,000	0	0	125,000
Total capital assets, not being depreciated	125,000	42,437	0	167,437
Capital assets, being depreciated				
Buildings	907,521	21,873	0	929,394
Land improvements	2,580,539	0	0	2,580,539
Office equipment and furniture	8,722	0	0	8,722
Machinery and equipment	257,466	0	0	257,466
Total capital assets, being depreciated	3,754,248	21,873	0	3,776,121
Less accumulated depreciation for:				
Buildings	266,763	26,037	0	292,800
Land improvements	1,689,676	129,027	0	1,818,703
Office equipment and furniture	8,163	467	0	8,630
Machinery and equipment	230,731	8,084	0	238,815
Total accumulated depreciation	2,195,333	163,615	0	2,358,948
Total capital assets, being depreciated, net	1,558,915	(141,742)	0	1,417,173
Governmental activities capital assets, net	\$ 1,683,915	\$ (141,742)	\$ 0	1,584,610

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	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities</u>				
Capital assets, being depreciated				
Buildings and building improvements	\$ 530,515	\$ 0	\$ 0	530,515
Land improvements	113,133	0	0	113,133
Total capital assets, being depreciated	643,648	0	0	643,648
Less accumulated depreciation for:				
Buildings and building improvements	408,171	18,520	0	426,691
Land improvements	76,536	4,483	0	81,019
Total accumulated depreciation	484,707	23,003	0	507,710
Business-type activities capital assets, net	\$ 158,941	\$ (23,003)	\$ 0	135,938
Net capital per Statement of Net Assets				<u>\$ 1,720,548</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>163,615</u>
Business-type activities:	
T-Hangar	\$ <u>23,003</u>

Construction Commitments:

The Airport has an active project as of December 31, 2007. The project is for the design and construction of a new runway. The contract balance was approximately \$1,400,000 with \$42,437 being expended as of December 31, 2007. The project is being funded with block grants from the Federal Aviation Administration and general revenues.

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at December 31, 2007, were:

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<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Operating Fund	\$ 0	\$ 6,435
Enterprise Funds		
T-Hangar Fund	6,435	0
	<u>\$ 6,435</u>	<u>\$ 6,435</u>

**E. Leases**

The Authority owns and/or operates hangar buildings which it leases out to private plane owners. These leases are all annual or month-to-month leases. The Authority leases facilities to a fixed base operator on an annual basis. There are no long-term lease commitments.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Airport has reserved fund balances in the operating fund. This reserve is detailed in the following schedule:

<u>FUND BALANCE</u>	
Reserved	
Operating Fund	
Inventory and Prepaids	\$ <u>55,305</u>

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

The Authority has purchased a commercial insurance policy in order to minimize any potential risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims have not exceeded coverage limits in any of the last three years.

**B. Subsequent Event**

A 20 year lease on a hangar expired January 1, 2008. The building is the property of the authority as of January 1, 2008.

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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January 14, 2008

To the Members of the Board  
Wexford County Airport Authority  
(A Component Unit of Wexford County)  
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Wexford County Airport Authority, component unit of Wexford County, as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Wexford County Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Authority makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

## 2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) above (Lack of Segregation of Duties) constitute a material weakness.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*



# *Baird, Cotter and Bishop, P.C.*

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January 14, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Members of the Board  
Wexford County Airport Authority  
(A Component Unit of Wexford County)  
Cadillac, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Wexford County Airport Authority for the year ended December 31, 2007, and have issued our report thereon dated January 14, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 10, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wexford County Airport Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Recorded grant revenues and expenditures for block grants from the Federal Aviation Administration for airport development projects. This amounted to \$124,108 in additional revenues and expenditures that the Airport Authority did not record. The Airport Authority did not record this activity on its general ledger because these were pass through funds, which means the Airport Authority did not receive the money or pay for the expenditures out of their cash accounts. The grants ran through the State of Michigan.
2. Recorded additional Accounts Payable in the amount of \$13,627. The Airport Authority did not record the activity on its general ledger for expenditures that were incurred in the 2007 fiscal year that had not been paid out yet. The majority of this payable consisted of expenditures related to repairing the Northwoods building.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 14, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*